

Message Text

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11

ACTION EA-14

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15

DRC-01 /163 W

----- 067925

P 280927Z JUN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 2969

INFO AMEMBASSY JAKARTA PRIORITY

C O N F I D E N T I A L TOKYO 8568

E.O. 11652: GDS

TAGS: ENRG, ID, JA

SUBJECT: INDONESIAN LNG

REF: A. JAKARTA 7859 B. STATE 134878 C. TOKYO 7537

SUMMARY: EMBASSY HAS PREVIOUSLY REPORTED TOKYO ELECTRIC INTEREST IN PURCHASE OF PORTION OF ADDITIONAL INDONESIAN LNG BEING OFFERED JAPAN. EMBASSY BELIEVES LEGITIMATE US INTERESTS AND NEED FOR COOPERATION IN RESOURCE SHARING ARGUE FOR ACCEDING TO PACIFIC LIGHTING REQUEST. CHANCES FOR JAPANESE COOPERATION PROBABLY AT LEAST 50-50. HOWEVER, EMBASSY RECOMMENDS PACIFIC LIGHTING BE ADVISED OF POTENTIAL DANGERS OF SUCH ACTION BEFORE PROCEEDING. END SUMMARY.

1. IN REF (C) EMBASSY POINTED OUT TOKYO ELECTRIC'S INTEREST IN ADDITIONAL 2.5 MILLION TONS LNG BEING OFFERED JAPANESE BY PERTAMINA. THIS AMOUNT IS OVER AND ABOVE 7.5 MILLION TONS ALREADY CONTRACTED FOR BY JAPAN. AT THAT TIME (JUNE 4) EMBASSY'S SOURCE INDICATED
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THAT FINAL DECISION WOULD BE MADE IN ABOUT TWO MONTHS'

TIME. THUS, FIRST POINT MADE IN PACIFIC LIGHTING
PRESIDENT RENSCH'S TELEGRAM TO DEPUTY SECRETARY INGERSOLL
APPEARS WELL FOUNDED.

2. IN PAST, AS REPORTED REF C, EMBASSY HAS TAKEN LINE
WITH JAPANESE THAT A) USG HAS BROAD INTEREST IN
MAINTAINING STABLE WORLD ENERGY PRICES (STATE 083005),
AND B) USG IS NOT INVOLVED IN PERTAMINA-PACIFIC LIGHTING
NEGOTIATIONS (STATE 11416). WE HAVE ALSO, WITH REGARD
TO INDONESIAN LNG, STRESSED TO JAPANESE NEED FOR
COOPERATION BETWEEN US AND JAPAN (TOKYO 11322 4 SEPT 73)
AND HAVE RECEIVED LIMITED ASSURANCES THAT JAPAN DOES NOT
WISH TO MONOPOLIZE INDONESIAN LNG (TOKYO 11245 31 AUG 73).
THUS, WE ARE IN AGREEMENT WITH PARA 2 REF A.

3. CONTRARY TO RECOMMENDATIONS PARA 3 REF A, EMBASSY
BELIEVES THERE ARE TWO STRONG REASONS FOR ACCEDING TO
RENSCH'S PLEA THAT WE REQUEST JAPANESE TO DELAY
NEGOTIATIONS FOR TWO TO THREE MONTH PERIOD:

A) IT WOULD PROVIDE MEANINGFUL ASSISTANCE TO
LEGITIMATE INTERESTS OF US FIRM IN AREA OF CONSIDERABLE
IMPORTANCE TO US (OBVIOUSLY, QUESTION OF SUPPLY OF
ENERGY TO US WEST COAST EXTENDS BEYOND PURELY
COMMERCIAL CONSIDERATIONS). MAKING REQUEST OF THE
JAPANESE WOULD NOT, STRICTLY SPEAKING, REPRESENT CHANGE
IN OUR POLICY OF NON-INVOLVEMENT IN PL-PERTAMINA
NEGOTIATIONS BUT RATHER ATTEMPT TO INCREASE CHANCES
OF SUCCESSFUL CONCLUSION OF NEGOTIATIONS.

B) IT WOULD PROVIDE CLEAR OPPORTUNITY FOR US (BOTH
US AND JAPAN) TO COOPERATE ON SHARING LIMITED ENERGY
RESOURCES. WHILE ACTIVITIES OF ENERGY COORDINATING
GROUP HAVE NOT EXTENDED TO THIS SORT OF PROBLEM, IT
SEEMS TO US THAT WE SHOULD MAKE POSITIVE EFFORT TO WORK
OUT POTENTIALLY CONFLICTING US AND JAPANESE INTERESTS
IN INDONESIA RATHER THAN MERELY SITTING BACK AND
HOPING FOR THE BEST.

4. EMBASSY BELIEVES APPROACH OUTLINED IN (A) AND (B)
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ABOVE WOULD HAVE AT LEAST 50-50 CHANCE OF OBTAINING
JAPANESE AGREEMENT TO DELAY NEGOTIATIONS.

5. HOWEVER, EMBASSY FULLY AWARE THAT COURSE OF ACTION
SUGGESTED HAS SEVERAL SERIOUS CONSEQUENCES WHICH
MUST BE CONSIDERED IN ADDITION TO THOSE NOTED REF A, PARA 3.
MOST IMPORTANT AMONG THESE AS FOLLOWS:

A. IF JAPANESE AGREE TO DELAY NEGOTIATIONS AT US REQUEST, US WILL HAVE INCURRED A DEBT THAT WILL FALL DUE AT SOME FUTURE TIME. WE OBVIOUSLY CANNOT EXPECT TO OBTAIN JAPANESE COOPERATION ON SHARING THIRD-COUNTRY RESOURCES WITHOUT WILLINGNESS ON OUR SIDE TO RECIPROCATE IN FUTURE.

B. IN MAKING ITS APPROACH, EMBASSY WOULD LIMIT DISCUSSIONS TO ONE OR TWO KEY FIGURES TO MINIMIZE POSSIBILITY OF A LEAK. SHOULD JAPANESE SIDE AGREE, HOWEVER, IT WOULD BE NECESSARY FOR THEM TO REQUEST THAT PARTIES INVOLVED, E.G., TOKYO ELECTRIC, DELAY TALKS. ONCE THIS DONE, CHANCE OF LEAK WOULD INCREASE VERY GREATLY AND, IN FACT, MIGHT BE DIFFICULT TO AVOID. AS WE READ TRAFFIC FROM JAKARTA, PERTAMINA ALREADY VERY CLOSE TO ABROGATING AGREEMENT WITH PACIFIC LIGHTING AND WORD OF US INITIATIVES IN TOKYO MIGHT BE ALL THAT IS NEEDED TOPRECIPITATE SUCH ACTION.

C. ACCORDING TO ALL INDICATIONS, PROBLEM BETWEEN PACIFIC LIGHTING AND PERTAMINA IS NOW ONLY ONE OF PRICE. WHILE IT MIGHT BE POSSIBLE TO ACHIEVE DELAY IN NEGOTIATIONS BETWEEN JAPANESE AND INDONESIANS FOR ADDITIONAL LNG, IT IS UNLIKELY (AND, IN FACT, RENSCH HAS NOT SUGGESTED THAT WE DO SUCH) THAT JAPANESE WOULD BREAK OFF TALKS OR IN ANY WAY INDICATE TO INDONESIANS THAT JAPAN NOT INTERESTED IN ADDITIONAL LNG. THUS, IN TALKS WITH PACIFIC LIGHTING, INDONESIANS WOULD BE IN POSITION OF HAVING CUSTOMER WAITING IN WINGS SHOULD SUCH TALKS FAIL TO REACH SOME AGREEMENT. EVEN IF JAPANESE SHOULD WITHDRAW FROM TALKS WITH INDONESIANS, EMBASSY DOUBTS THAT FINANCIAL PRESSURES ON INDONESIANS WOULD FORCE SIGNIFICANT CONFIDENTIAL

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REDUCTION IN PRESENT ASKING PRICE.

6. IN SUM, EMBASSY BELIEVES THAT THERE ARE STRONG REASONS OF PRINCIPLE FOR US TO MAKE REQUESTED APPROACH TO JAPANESE AND THAT THERE IS REASONABLE CHANCE OF JAPANESE ACCEPTANCE. AT SAME TIME, LIKELIHOOD THAT APPROACH WILL REDOUND TO BENEFIT OF PACIFIC LIGHTING DOES NOT APPEAR GREAT. ACCORDINLY, EMBASSY RECOMMENDS THAT DEPARTMENT REVIEW OUR ANALYSIS WITH PACIFIC LIGHTING AND INSTRUCT US TO PROCEED AS ORIGINALLY REQUESTED ONLY WITH RECONFIRMED APPROVAL OF PACIFIC LIGHTING. SHOESMITH

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